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Interim Chief Executive Officer

## County of Los Angeles CHIEF EXECUTIVE OFFICE

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March 24, 2015

To: Mayor Michael D. Antonovich  
Supervisor Hilda L. Solis  
Supervisor Mark Ridley-Thomas  
Supervisor Sheila Kuehl  
Supervisor Don Knabe

From: Sachi A. Hamai  
Interim Chief Executive Officer

Board of Supervisors  
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Second District

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Third District

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Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

### SACRAMENTO UPDATE

#### Executive Summary

This memorandum contains an overview of California's draft proposal for the new 1115 Medicaid waiver.

#### Overview of Medi-Cal 2020: 1115 Medicaid Waiver Renewal Proposal

The existing 2010 Medicaid waiver, "A Bridge to Reform" provided California with nearly \$10 billion of Federal funding over the past five years and established initiatives which lead to the successful implementation of the Federal Affordable Care Act, the expansion of Medi-Cal eligibility, and ongoing support for the health care safety net for the remaining uninsured. The current Medicaid waiver expires on October 31, 2015.

On March 16, 2015, the California Department of Health Care Services (DHCS) released its draft concept paper which outlines the key elements for the renewal of the 1115 Medicaid waiver, which is known as "Medi-Cal 2020." The elements in the draft concept paper were developed in consultation with various key stakeholder groups convened by the State. The new waiver is estimated to provide \$15 billion to \$20 billion in Federal Medicaid funding over five years. It is intended to build upon the current 1115 waiver and includes the key concepts described below.

*"To Enrich Lives Through Effective And Caring Service"*

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**Public Safety Net System Transformation and Improvement Program.** The current Medicaid waiver established the Delivery System Reform Incentive Care Program (DSRIP) under which the 21 county and University of California public hospitals were eligible to receive fiscal incentives for achieving certain measurable goals that improved patient health and safety and increased access to health care. The new waiver proposes to build upon DSRIP to continue the transformation of the public health care safety net by implementing initiatives that:

- Improve patient safety;
- Emphasize high-quality and efficient primary care in coordination with specialty care;
- Better coordinate care within and across the sectors of physical health, behavioral health, and social aspects of health such as, access to food, housing, transportation, jobs and education;
- Improve coordination of care for high-risk, high-utilizing populations including, foster children, recently incarcerated persons, and patients with advanced illnesses; and
- Focus on identifying and developing approaches to address the causes of preventable morbidity and mortality, and reduce health disparities.

The California Department of Health Care Services proposes to expand DSRIP to the 42 health district/municipality systems, known as non-designated public hospitals that meet certain criteria. DHCS notes that these hospitals, which are located primarily in rural parts of the State, are critical to the State's health care safety net system.

**Workforce Development Program.** The waiver proposal recognizes the need to increase the number of health care providers and would provide financial incentives to health care professionals not currently serving Medi-Cal patients, and to existing Medi-Cal providers to encourage them to accept additional Medi-Cal patients. Financial incentives would also be targeted to attracting health care professionals in underserved areas and to health specialties which are most challenging to recruit providers. Incentives would also be provided to managed care plans to support non-physician community providers such as community health workers, patient navigators, and peer support specialists.

**Housing and Supportive Services Program.** The waiver proposes to improve the coordination of care for homeless persons, especially those with multiple chronic conditions. The State will collaborate with managed care plans, counties, Federal partners and community organizations to develop county-specific pilot programs in counties where there is a commitment from the full spectrum of stakeholders to provide these services. The services would include enhanced tenancy support and intensive medical case management which will allow at-risk individuals to stay in their homes and will help Medi-Cal beneficiaries who are homeless to secure stable housing. The target population will include individuals who are currently homeless such as veterans and those who will be homeless upon discharge from institutions, including hospitals and county jails. Services will also be targeted to high utilizers of hospital emergency departments, persons who have repeated hospital admissions, and individuals with mental health or substance use disorders.

**Public Safety Net System Global Payment for the Remaining Uninsured.** The waiver notes that approximately three million Californians will remain uninsured. Services for the uninsured are funded through the Safety Net Care Pool (SNCP) and the Medicaid Disproportionate Share Hospital Program (DSH). Currently, these funding streams are operated under a cost-based system. The proposed waiver would move SNCP and DSH funding streams from a cost-based system into a county-specific global payment system. Under this proposal, public hospitals would receive fiscal incentives to increase patient care coordination and to encourage primary, preventive and ambulatory care delivery and care management over higher cost avoidable emergency room visits and acute hospital stays.

**State-Federal Shared Savings and Reinvestment.** Under the proposed waiver, the State would initiate a Federal-State shared savings model that would provide California with a portion of the Federal savings. Any savings would be reinvested in the Medi-Cal Program to facilitate continued delivery system transformation. California would receive a portion of Federal savings in the form of ongoing performance payments subject to Federal budget neutrality.

### **Next Steps**

The Department of Health Care Services plans to submit the new waiver application to the Federal Centers for Medicare and Medicaid Services (CMS) by March 27, 2015. Shortly thereafter, the State will begin negotiations with CMS. DHCS will provide the stakeholders with regular updates on the status of the negotiations through continued stakeholder forums over the next few months. DHCS anticipates that negotiations with CMS on a waiver agreement will be completed in the fall of 2015 and that the State will begin implementation of the new waiver by November 1, 2015.

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This office is working with affected departments to determine the impact of the proposed waiver to the County.

A draft of the State's new 1115 Medicaid waiver is available at: [MediCal 2020 Waiver Renewal](#).

We will continue to keep you advised.

SAH:JJ:MR  
VE:ma

c: All Department Heads  
Legislative Strategist  
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California Contract Cities Association  
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City Managers Associations  
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